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CITIZENS SUMMARY

Findings in the audit of Reemployment of State Retirees

Background

This audit reviewed issues associated with state retirees reemployed in state government positions and procedures to ensure compliance with state laws regarding reemployment of retirees. Most full-time state employees participate in defined-benefit public employee retirement plans. General state employees participate in plans operated by the Missouri State Employees' Retirement System (MOSERS) and employees of the Missouri Department of Transportation and the Missouri State Highway Patrol participate in plans operated by the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). State laws permit the reemployment of state retirees in state government benefit eligible and non-benefit eligible positions. When reemployed in a non-benefit eligible position, the retiree receives no employment benefits, the reemployment has no impact on an individual's retirement payments, and the retiree receives a monthly retirement payment in addition to compensation for work performed. To be benefit eligible, the employee must be assigned to a position that normally requires the performance of duties during not less than 1,040 hours per year. Currently, state law requires most retirees' retirement payments be suspended while the retiree is actively reemployed in a benefit eligible position.

According to various state agency and retirement system personnel, there are both benefits and costs associated with reemploying retirees. During the 2 years ended December 31, 2012, at least 1,662 state retirees worked as employees in state government positions. During this period, 189 of these retirees were reemployed in full-time, benefit eligible positions; 1,487 were reemployed in part-time, non-benefit eligible positions; and 14 were reemployed in both types of positions. In addition, at least 15 state agencies utilized 132 retirees as vendors during the 2 years ended December 31, 2012.

Statewide Oversight of Reemployed Retirees

There is no statewide oversight of retirees rehired in state government positions, and our review noted instances of noncompliance with reemployment restrictions and incorrect benefit eligibility classifications. Personnel of the various state agencies are responsible for classifying benefit eligibility and tracking and monitoring reemployments of retirees, but procedures used are not always sufficient. Several state agencies that reemployed a significant number of retirees do not fall under Office of Administration (OA) oversight and OA has provided no guidance for ensuring proper benefit eligibility classification.

State Law Allowing Retirement Payments while Reemployed Full-Time in Benefit Eligible Positions	<p>State law pertaining to certain plans allows some retirees reemployed in full-time state government positions to receive their retirement payments while reemployed. Thirty-one of the 189 retirees working in full-time benefit eligible state positions drew wages and retirement payments simultaneously, receiving \$2.8 million in retirement payments in addition to \$3.1 million in wages during the 2 years ended December 31, 2012. By providing these retirees with wages and retirement payments simultaneously, the state is providing extra compensation to a small select group of state employees, which is generally prohibited for most state employees. Many current and future retirees of certain plans could similarly avail themselves of these provisions.</p>
Retirees Reemployed Part-Time in Non-Benefit Eligible Positions	<p>Many state agencies lacked adequate procedures to ensure retirees reemployed part-time are properly classified. Some reemployed retirees may have been incorrectly classified as part-time, and therefore received their retirement payments while reemployed, when not eligible to do so. Audit staff found 107 of the 1,487 (7 percent) retirees working in part-time, non-benefit eligible positions worked 1,040 or more hours during their anniversary year(s). When a retiree working in a non-benefit eligible position works 1,040 hours or more in a year, agencies should determine whether (1) the employee has exceeded this limit due to short-term, unforeseen circumstances and should continue to be classified as non-benefit eligible, or (2) the position has effectively changed and should be reclassified as benefit eligible. Our review noted numerous weaknesses and inconsistencies among state agency procedures. Several state agencies had centralized procedures or tracking systems to monitor actual hours worked by part-time retirees, while some state agencies delegated monitoring procedures to individual divisions or units within their agencies. Two state agencies tracked hours separately by position, which appears to violate state law when collectively the positions require 1,040 or more hours; state agencies defined work year inconsistently and did not always comply with state law; and some state agencies had established hour maximums other than the maximum provided by state law. State laws do not require a standard or minimum separation period between retirement and reemployment.</p>
Retiree Vendors	<p>State laws and regulations that address hiring retirees as vendors are inadequate, and most state agencies lacked adequate procedures to ensure these vendor arrangements are proper. Several retirees were hired as vendors when it appears they should have been classified as full-time, benefit eligible employees; and, as a result, these retirees received retirement payments that would have been suspended if they had been classified as employees.</p>

Because of the compound nature of this audit report, no overall rating is provided.